

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON LONG RANGE PLANNING

Call to Order: By **CHAIRMAN DAVE KASTEN**, on January 16, 2003 at 8:30 A.M., in Room 350 Capitol.

ROLL CALL

Members Present:

Rep. Dave Kasten, Chairman (R)
Sen. Tom Zook, Vice Chairman (R)
Rep. Christine Kaufmann (D)
Sen. Jon Tester (D)
Sen. Joseph (Joe) Tropila (D)
Rep. John Witt (R)

Members Excused: Sen. Bob Keenan (R)

Members Absent: None.

Staff Present: Catherine Duncan, Legislative Branch
Jane Hamman, OBPP
CJ Johnson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HB 6 & 8 RENEWABLE RESOURCE GRANT &
LOANS APPLICATIONS (RRGL)

Executive Action: None

CHAIRMAN KASTEN opened the Committee hearing on HB 6 & 8.

HEARING ON HB 6

John Tubbs, Bureau Chief of Resource Development Bureau, DNRC, gave a presentation of the grant and loan programs administered by his bureau. He said that the grants are in HB 6, and several new loans are listed in HB 8. The loans are funded by bonds backed with coal severance taxes, and the grants are funded through the renewable resource interest earnings. **Mr. Tubbs** said that his bureau is one of two bureaus that provide state Staff to assist the conservation districts throughout the State.

John Tubbs reviewed the Renewable Resource Private Loan Program which is part of the Water Development Program that was established in 1981. The loan program is available for water projects that protect, conserve, and manage Montana's water resources. He said that this program is mainly used by irrigators that are switching from flood irrigation to high pressure sprinkler systems. This program was merged with another program called Emission Control State Revolving Fund (SRF), which is administered by the Department of Environmental Quality (DEQ). He stated that when the flood irrigators convert to the high pressure system, they save up to 50 percent of the water. Teaming with the SRF program, the department was able to lower their interest rate to 4.3 percent. He said they are able to borrow four percent from their own program, then roll back to three tenths of a percent loan loss reserve charge on a 15-year term. He said that when they switched to this program, their volume went from \$750,000 a year to \$5 million last year, and \$4.8 million this year.

Mr. Tubbs said that they were recognized nationally by the Environmental Protection Agency (EPA) when they attended a conference in Phoenix, Arizona in November of 2002. He said that Montana was highlighted as one of four states in the nation as leading the way in nonchemical source pollution control. He stated that it is this loan program (RRGL) that is making it happen.

Mr. Tubbs reviewed their emergency grants. He said they are requesting \$125,000 for emergency projects. He said they award this money to communities and local governments that face disasters such as a lagoon break, and etc. He said they are currently working with Milstone to find a water supply in the Musselshell because of drought.

Bob Fischer, DNRC, commented that they have also done a siphon replacement project on the highline for Harlem with emergency funds. **Mr. Fischer** reviewed the projects they have assisted in with emergency funds listed in the RRGL, Pages 214, 215, and 216.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 12}

John Tubbs said that with the expenditures of these emergency funds that they are left with little funds for this current biennium. He said that the requested \$125,000 is required to meet these unanticipated needs. He said there is some loan authority, but the SRF programs provide less loans than they can provide. He reviewed other projects that they are involved in for the conservation districts. He said that these projects are mainly in the lower Yellowstone and the lower Missouri rivers. He commented that Montana is one of the few states in the nation that has water resources that can be appropriated, and he reviewed some of the those projects.

Mr. Tubbs said that his division is down to 20 FTE and have approximately 40 grant projects.

Mr. Tubbs gave a background summary of the SRF program. He said that the program was started in 1993 when the legislature combined two programs under HB 608. The projects that conserve, manage, develop and preserve, are Montana's renewable resources, and water is the number one resource. He said that the grants in HB 6 is available only to government entities, with a maximum grant of \$100,000.

Mr. Tubbs discussed the different types of projects that his staff reviews in Chapter II, RRGL Pages 5 to 11. He reviewed the process of ranking, scoring, and soliciting the various projects throughout the State. The projects are reviewed by the director who then sends the project list to the Office of Budget and Program Planning (OBPP). **Mr. Tubbs** reviewed the list of projects and their ranking file. Projects that ranked above #62 are not recommended for funding.

Mr. Tubbs discussed the first grant that was submitted this session by the Blackfeet Tribe for the Oki Mamii (Hello Fish) education program for 4th and 5th graders. He said that they will be working with the Blackfeet Tribe over the next five years on water resource projects, and feels that this is the right step in a working relationship with the Tribes.

Mr. Tubbs reviewed the breakdown of the chart in the RRGL, Page 16. He also distributed a video for the Committee Members to review that explains how to apply for a grant/loan. He said that

the videos cost \$15,000 to put together with help from funds through the TSEP and RRGL programs. **Mr. Tubbs** distributed a map (Exhibit 1) that shows the various locations in Montana where they are involved with their projects, and he gave a summary on some of the projects.

EXHIBIT(jlh09a01)

{Tape: 1; Side: A; Approx. Time Counter: 12 - 30.5}

{Tape: 1; Side: B}

Mr. Tubbs distributed and discussed a handout on the water pipe used for St. Mary's water supply (Exhibit 2). He also distributed a copy of current law (Exhibit 3), that shows the RIT accounts for the 2005 biennium.

EXHIBIT(jlh09a02)

EXHIBIT(jlh09a03)

Mr. Tubbs walked the Committee through (Exhibit 3) the Renewable Resource funding, Reclamation and Development funding, and the Orphan share, and how it works with HB 177 which is in the Appropriations Committee. He said that HB 177 doesn't affect renewable resources, but said that they are short the \$1 million reflected on the handout. The Reclamation and Development program is short \$2.4 million. He said that the reason for this is they have taken the revenue out of oil and gas and metal mines proceeds, and have placed it in the general fund. He said that HB 177 brings \$4 million into the general fund, or two percent of the shortfall. He has been asked by OBPP to assist in helping them balance the shortfall. He will go through the projects with OBPP to assist them in finding a balance, but he wasn't sure at this time which projects they will cut. He stated that he has reviewed these projects with Greg Mills, the Director of DNRC, and staff, and they are working with OBPP to make this determination. With the passage of HB 177 in the Appropriations Committee, he hopes they will find the money to assist the Communities with their projects.

Mr. Tubbs distributed a handout on Resource Indemnity Trust (RIT) and explained the projections for the coming biennium to the Committee.

EXHIBIT(jlh09a04)

Mr. Tubbs distributed and reviewed the flow chart that shows the distribution of the various accounts, and how they affect the general fund. **Mr. Tubbs** said that when these taxes are placed

into the general fund it will be the first time that they will use RIT taxes for the operation of general government.

EXHIBIT (j1h09a05)

There was discussion regarding the \$150,000 scholarship that is included in REP. DEBBIE SHEA'S bill, and how the funds expend itself when depleted.

Mr. Tubbs said that a small percentage of the oil and gas taxes is put back into the RIT accounts. Out of \$62 million, the oil and gas taxes represent \$2 to \$3 million. **Mr. Tubbs** discussed the RIT accounts, and the \$100 million allocated to the various accounts. He discussed the Lang Grant for Northern Montana College that was used to purchase land. **Jane Hamman** said that Northern Montana College is the only college that didn't have a designation until about 10 years ago when they were statutorily appropriated funds, which is one of the accounts that Mr. Tubbs mentions.

Mr. Tubbs discussed the loss of coal funds. He stated that the impact of coal tax has been a combination of tax rate, price of coal, and production. He said that in 1981 coal was sold at \$80 million a year, now it is \$28 million a year. He said that Wyoming is facing a \$175 million surplus, but they also have four railroad systems to haul their coal on to locations such as Omaha and St. Louis, and Montana only has one railroad system to haul coal out.

SEN. ZOOK asked about the tax in Wyoming. **Mr. Tubbs** stated that it is 10.2 percent, but they tax their taxes. He said that this makes Montana about equivalent to them.

{Tape: 1; Side: B; Approx. Time Counter: 1 - 28.5}

{Tape: 2; Side: A}

HEARING ON HB 8

John Tubbs DNRC, presented HB 8. He said that this is the bond fund, which is the flow of money. He reviewed the \$28 million, but said that it is cut in half, and \$16 million will go into the trust fund. He said that it goes through the bond fund first. There is \$6 million in the trust fund which is the debt service. They have to keep one year of debt service in the account. The pledge to bond holders is to keep half of the coal severance tax in this account. He said that HB 8 will require three-quarters vote through both of the Houses, because they have to subsidize the interest rate of \$500,000 per year on the debt.

SEN. ZOOK asked if there is any bill out there that diverts the flow of these funds. **Mr. Tubbs** responded. He said that the TSEP program has approximately \$100 million, and this is where the monies come from that funds the grants from the interest. The water fund has approximately \$10 million, and will top out at \$14 million with the next deposits, which funds the State's share of the regional water projects.

The Coal Trust fund is a permanent account. **Mr. Tubbs** said that there is a balance of \$544 million, which the interest goes to the general fund.

**Paradise Valley Irrigation District, Hillside Lateral,
RRGL-Project #7 Page 33**

CHAIRMAN KASTEN opened the hearing on Paradise Valley Irrigation District, Hillside Lateral, RRGL-Project #7 Page 33.

Bob Fischer, RRGL-DNRC, reviewed and recommended the grant of \$100,000 for the project.

Proponents:

Randy Reed, Project Coordinator for the Irrigation District, stated his support for this project. He distributed a handout which he discussed on the application for the Hillside Ditch (Exhibit 6). He also distributed and read two other handouts that are letters from water users (Exhibit 7 & 8).

EXHIBIT(jlh09a06)

EXHIBIT(jlh09a07)

EXHIBIT(jlh09a08)

REP. KARL WAITSCHIES wanted to be on record in support of this project.

REP. JEFF PATTISON wanted to be on record in support of this project.

Bim Strauser, President of the Paradise Valley Irrigation District, stated he is before the Committee on behalf of his district. There is a lot of support for the project, and stated that they are all committed to water savings.

Mike Murphy, Water Resource Association, stated his support, and wanted to be on record for each project.

Kay Blatter, President of the Fort Belknap, stated his support for this project.

Opponents: None

Questions from Committee Members

CHAIRMAN KASTEN asked what it cost per acre to irrigate. **Mr. Blatter** said it is \$13.

REP. WITT asked about the seepage rate. **Mr. Blatter** said that the water isn't lost, because it goes back into the Milk River, but it also isn't good conservation practice. He said there have been bad management in the past by the community.

CHAIRMAN KASTEN closed the hearing on Paradise Valley Irrigation District.

**Chinook Division Irrigation Joint Board of Control,
RRGL-Project #35 Page 108**

CHAIRMAN KASTEN opened the hearing on Chinook Division Irrigation Joint Board of Control, RRGL-Project #35 Page 108.

Bob Fischer, RRGL-DNRC, reviewed and recommended the grant for \$100,000.

Proponents:

Jack Gibbs, Chairman of the Chinook Division Water Control, said that there are 22,000 people that benefit from this water source. He urged the Committee to support this project.

{Tape: 2; Side: B}

Kain Blatter, Chinook, stated his support.

Max Maddox, Chinook, stated his support.

Melvin Novak, Glasgow, stated his support.

Bim Strauser Paradise Valley, stated his support.

REP. KARL WAITSCHIES wanted to go on record in support of this project.

REP. JEFF PATTISON wanted to be on record in support of this project.

Mike Dailey, DNRC, wanted to go on record in support of this project.

Opponents: None

Questions from Committee Members and Responses:

CHAIRMAN KASTEN asked what they pay per acre. **Debbie Murch** responded that it is \$13 per acre.

CHAIRMAN KASTEN closed the hearing on Paradise Valley.

**Milk River Joint Board of Control-St. Mary Siphon
Expansion Joint Replacement, RRGL-Project #15 Page 56**

CHAIRMAN KASTEN opened the hearing on the Milk River Joint Board of Control-St. Mary Siphon Expansion Joint Replacement, RRGL-Project #15 Page 56.

Bob Fischer, RRGL-DNRC, said that they recommend the request of \$100,000.

Proponents:

Kay Blatter, Chairman of the Milk River Joint Board of Control, stated his support for this project. He walked the Committee through the Renewable Resource Grant and Loan Program Application booklet (Exhibit 4) that had been distributed previously by John Tubbs.

Randy Reed, Chairman of the Milk River Project Development Association, stated that 97 percent of their water is stored in the Fresno Reservoir, and if it hadn't been for the St. Mary reservoir, they would not have had any water last year. He urged the Committee to support this project.

Melvin Novak, President of the Glasgow Irrigation District, stated his support for this project.

May Maddox said that he is from the highline, and asked the Committee to support this project.

Mike Daily, DNRC, stated his support for this project.

Opponents: None

Questions from Committee Members and Responses:

The Committee took a break to go outside and view a portion of the St. Mary siphon pipe that was brought in by DNRC.

CHAIRMAN KASTEN wanted more background information on this project and the water going through Canada.

CHAIRMAN KASTEN closed the hearing on the Milk River Joint Board of Control.

**Harlem Irrigation District-Lower Harlem Irrigation Canal
Improvements I, RRGL-Project #56 Page 159**

CHAIRMAN KASTEN opened the hearing on Harlem Irrigation District-Lower Harlem Irrigation Canal Improvements I, RRGL-Project #56 Page 159.

Pam Smith, RRGL-DNRC, recommended the full request of \$100,000.

Proponent:

Matt Jergeson, Engineer on the Harlem Irrigation District, said that a former legislator, Matt McCann, wanted to be on record in support of this project. **Mr. Jergeson** summarized the project and the accomplishments on the different phases of the project.

Kay Bladder, Fort Belknap Irrigation District, stated his support for this project.

REP. KARL WAITSCHIES wanted to be on record in support of this project.

REP. JEFF PATTISON wanted to be on record in support of this project.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 24.7}

Opponents: None

Questions from Committee Members:

SEN. TROPILA asked about the fish in the Harlem canal. **Mr. Reed** responded, stating that there is a future fisheries fund, but it isn't tapped on the East side of the Continental Divide. **Melvin Novak** was referred to who responded that they are experimenting with electronic fish control at the St. Mary's system to keep the

fish out of the Canal. He said if it works, it will be the economic way to go and they will be doing this in all the canals. **Bim Strauser** informed the Committee that the cost to build a fish stream on a canal is \$2,000 cfs (cubic feet per second), which would be about \$400,000 for the St. Mary Siphon project.

CHAIRMAN KASTEN asked what the irrigation fee is. **Matt Jergeson** replied that it is \$13.

CHAIRMAN KASTEN closed the hearing on the Harlem Irrigation District.

**Milk River District Management,
RRGL-Page 190**

CHAIRMAN KASTEN opened the hearing on the Milk River District Management, RRGL-Page 190.

Pam Smith, RRGL-DNRC, said that there were problems with the application in the financial need area. She said they don't have a commitment on the board at this time from the community for their match monies, nor from the Bureau of Reclamation. She recommended no funding for this project.

Proponents:

Kay Blatter, Chairman of the Milk River Joint Board of Control, gave a summary of the project and why they need the funds. He stated that they need a project manager, a single point of contact. He asked the Committee to support this project.

{Tape: 2; Side: B; Approx. Time Counter: 25 - 29}

{Tape: 3; Side: A}

Jack Gist, Chinook Joint Board of Control, stated his support for this project.

Melvin Novak, Glasgow Irrigation District, stated his support for this project.

Randy Reed, Chairman of the Milk River Project Development Association, stated his support for this project. He urged the Committee to support this project so they can hire a project manager to coordinate their efforts in water management from Browning to Glasgow.

Opponents: None

Questions from Committee Members and Responses:

CHAIRMAN KASTEN asked Randy Reed if they have been able to draw any support from Harlem, Malta, and the Glasgow area for financial assistance. **Mr. Reed** said that they do pay O&M (operation and maintenance) costs for the water that they receive, but that was all. **CHAIRMAN KASTEN** stated maybe that is a source they can look at for coordinating with a project manager. **Mr. Reed** commented about the funds available.

{Tape: 3; Side: A; Approx. Time Counter: 0 - 8}

CHAIRMAN KASTEN asked if the Bowdoin Wild Life Refuge is affected by the water project. **Mr. Tubbs** responded that they are having problems with increased salt seeping in. They don't have an effective fresh water source to keep the salt out. He stated that the salt levels have built up to the point that there isn't much wildlife left. **Mr. Reed** said that "since the drought started in 1999, the lake is drying up and leaving salt that blows around in the wind."

CHAIRMAN KASTEN closed the hearing on the Milk River District Management Board of Control.

**Nelson Reservoir Pumping Design/Construction (I),
RRGL-Project #46 Page 134**

CHAIRMAN KASTEN opened the hearing on the Nelson Reservoir Pumping Design/Construction (I), RRGL-Project #46 Page 134.

Pam Smith, RRGL-DNRC, reviewed and recommended the full request of \$100,000.

Proponents:

Randy Reed, Chairman of the Milk River Project Development Association, stated that Nelson Reservoir is at the end of their system. He said that they have a lot of problems getting water into it because the water has to go through a canal, and it is also what they call a soft storage reservoir. He said that when they do receive a lot of water, they don't really have a way to store it. The only way they can work with this type of system is by fall transports, where the system shuts down in October. He said that one of the repairs for Nelson Reservoir is to replace a pump, which would run 50 cfs year around and probably 100 acre feet per day. He said by doing this they would have water for

the irrigators, water storage in Nelson for the entire system, fish, boaters, and the municipal water users.

REP. WITT discussed how Canada's system seems to be more efficient than the way it is done here, and wanted to know if they are taking advantage of Canada's knowledge and the way they do their job on the Milk River. **Mr. Reed** responded that it was the Bureau of Reclamation's first project, and said that unfortunately, a lot of the structure is deteriorating. He said that the system on the Montana side is technologically old, and the systems in Canada are state-of-the-art. He said that Canada's water fee is only \$7 cfs.

CHAIRMAN KASTEN informed John Tubbs that they need to find a way to communicate better with the irrigators.

Letters were handed to the secretary for support of projects previously heard.

EXHIBIT(jlh09a09)

EXHIBIT(jlh09a10)

CHAIRMAN KASTEN adjourned the Committee.

ADJOURNMENT

Adjournment: 11:00 A.M.

REP. DAVE KASTEN, Chairman

CJ JOHNSON, Secretary

DK/CJ

EXHIBIT (j1h09aad)